

No. 15,608

IN THE

United States Court of Appeals
For the Ninth Circuit

VINCENT I. WHITMAN,

Appellant,

vs.

WALT DISNEY PRODUCTIONS, INC., et al.,

Appellees.

APPELLANT'S REPLY BRIEF.

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Appellees contend in their brief that no showing of detriment to defendants is necessary to establish laches such as will bar the patent suit. This position is taken by appellees because their record contains not one shred of evidence to show they have been damaged by the delay in filing the instant suit.

This contention of appellees is clearly without merit since laches is a defense "peculiar to courts of equity" (*Walker on Patents, Deller's Edition*, page 1877) and is not established by a showing of mere delay.

Walker states at page 1879:

"But delay to sue is not always, though it is sometimes, laches, *because it may have been harmless to the defendant.*" (Emphasis added.)

The mere citation of a numerically large number of cases in which laches barred a patent suit does not in itself aid their defense. Actually, many of the cases cited on pages 5-11 of appellees' brief emphasize the necessity of detriment to the defendants as a ground supporting a finding of laches.

The rule is well established that mere delay, unaccompanied by elements of estoppel, does not create the bar of laches. *Mercoid Corporation v. Minneapolis-Honeywell Regulator Co.* (D.C. N.D. Ill., 1942) 43 F.Supp. 878, affirmed 133 F.2d 811, reversed on other grounds 64 S.Ct. 278, 320 U.S. 680.

Since appellees' brief relies heavily on this court's decision in *Gillons v. Shell Oil Co. of California* (C.A. 9, 1936) 86 F.2d 600, it is urged that careful reconsideration of the *Gillons* case be given in view of the failure of this court, in that case, to distinguish between the remedy of injunction and the remedy of damages supported by an accounting.

It should be borne in mind that the rules governing the granting of an injunction and damages in trademark cases operate in a manner practically opposite to the rules in patent cases.

In *Unfair Competition and Trademarks* by Nims, Fourth Edition (1947) it is said at page 1289:

“The application of the doctrine of laches is especially difficult in trade-mark cases because it is vital to the existence of a trade-mark that it should be used by one and by only one concern. A trade-mark cannot serve two masters; it cannot identify two sources at the same time and remain

a trade-mark. Consequently, if the court enforces the doctrine of laches, such a decision is tantamount to holding that thereafter, two concerns (i.e., the plaintiff and the defendant) may legally use the mark in question on the same or on closely related products, which means that the court, in effect, has compelled the plaintiff to license the defendant to use its mark. Such a decree creates a situation in which the mark appears before the public as identifying, not one concern, but two; and where a symbol or name is used on similar goods by two or more at the same time, it loses distinctiveness and usefulness as a means of identification and instead of functioning as a public convenience as every trade-mark should, it may be a source of confusion.

The case is easily imagined where the first user of a mark sleeps on his rights while another builds up a substantial business under a similar mark. Under such circumstances, denial of relief to the first user may be equitable; but to enjoin the second-comer may result in unjust enrichment of the first user because he may profit by the efforts of the second user to popularize the mark."

In other words, when the plaintiff establishes his right to legal relief in a trademark case an injunction is a necessary remedy to support such legal right *and to protect the public*. However, if elements of estoppel or laches are present damages may be withheld by the court.

The opposite result obtains in a patent case such as this because the patentee's right to monetary damages is statutory and the equitable remedy of injunction

is not necessary to enforcement of the legal right. It is for this reason that a court of equity may, in a proper case, deny the equitable remedy of preliminary injunction to a plaintiff and at the same time grant the remedy of damages supported by an accounting. Unjust enrichment of the defendant is immaterial in such a case.

The appellant in the *Gillons* case stated the law as above outlined but this court held that the law was "opposite of that contended for by appellants." In support of its position this court cited *McLean v. Fleming*, 96 U.S. 245, and *Menendez v. Holt*, 128 U.S. 514, both of which are trademark cases.

In addition to the *McLean* and *Menendez* cases this court also relied on *New York Grape Sugar Co. v. Buffalo Grape Sugar Co.*, 18 F. 638, a patent case, which in turn had also erroneously relied on the *McLean* case. Similarly, *Closz & Howard Mfg. Co. v. J. I. Case Threshing Machine Co.*, 216 F. 937, also cited in the *Gillons* decision, was merely following *Layton Pure Food Co. v. Church & Dwight Company*, 182 Fed. 35, a trademark case also relying on the *McLean* case.

The remaining case relied on by this court in the *Gillons* case is *Simpson v. Newport News Shipbuilding & Dry Dock Co.* (D.C. S.D. N.Y. 1920), 18 F. 2d 318, a patent case which also relied on the trademark case of *Menendez v. Holt*, supra.

Thus it is apparent that this court did not rely on one patent case to support its holding in the *Gillons*

case that a patentee, subject to the defense of laches, may be barred from an accounting and not from an injunction. The law is actually to the opposite effect. That is, despite the fact that a patentee may not be entitled to equitable relief such as a preliminary injunction because of equitable defenses, he may, nevertheless, be entitled to the legal remedy of damages. Such is the situation in the instant case, and the court is therefore urged to reconsider the *Gillons* decision and grant plaintiff the right to pursue his legal remedy.

The *Gillons* case also appears to establish in this circuit the rule that "when suit is filed after the statutory period (of limitations) injury is presumed." Thus the burden of proof is said to reside on the plaintiff, in such a case, to show that defendant is not injured by the delay. However, the only cases cited in the *Gillons* case to support this minority holding are two admiralty cases which have to do with common law causes of action for which limitations have been established by statute. Patent law is entirely statutory and no statute of limitations has been established limiting the time within which suit must be brought.

For the above reason the court is urged to reconsider the *Gillons* case and hold it inapplicable to the facts in the instant case.

In summary, plaintiff herein seeks merely his day in court so that the merits of his case may be considered. If, at the trial, defendants can prove sufficient

detriment to justify dismissal of the suit on the ground of laches they will have an opportunity to do so.

This is not a case in which a plaintiff, after giving notice of infringement to defendant, delays in filing suit under circumstances which lull the defendants into a feeling of security from attack. On the contrary, suit has already been brought by plaintiff herein and the dismissal of the prior suit, without prejudice, was with the consent of defendants. Under such circumstances defendants had no plausible reason for believing that plaintiff's claims had been abandoned. If security against further attack had been desired by defendants the action could have been pressed by them, but this they neglected to do.

Instead of prejudicing the defendants as contended in appellees' brief the delay in bringing suit has actually prejudiced plaintiff because he is unable to recover damages accruing prior to six years immediately preceding the suit. However, this is the only limitation to which he is subject.

The complete lack of evidence in the record showing detriment to defendants makes it unjust to summarily dismiss plaintiff's case and it is urged that the decision appealed from be reversed.

Dated, San Francisco, California,
September 4, 1958.

Respectfully submitted,

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